



## Lender Letter (LL-2020-02)

March 18, 2020

### To: All Fannie Mae Single-Family Servicers Impact of COVID-19 on Servicing

We are actively monitoring reports about the spread of COVID-19 (coronavirus) in the United States and understand that there may be concerns about its potential impact on borrowers. At the direction of the Federal Housing Finance Agency (FHFA) and in alignment with Freddie Mac, we are communicating temporary policies in this Lender Letter to enable servicers to better assist borrowers impacted by COVID-19. The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice.

**We are releasing information to our servicers as quickly as possible and will update and republish this Lender Letter as new guidance becomes available.**

This Lender Letter provides information about the following:

- [Forbearance plan eligibility](#): We expanded eligibility for a forbearance plan for borrowers impacted by COVID-19.
- [Evaluating the borrower for a mortgage loan modification after a forbearance plan](#): We clarified the mortgage loan modifications that must be considered near the conclusion of a forbearance plan term.
- [Credit bureau reporting](#): We clarified that servicers must suspend credit reporting when the hardship is related to COVID-19.
- [Suspension of foreclosure sales](#): We are instructing servicers to not allow any foreclosure sales within the next 60 days.

Additionally, we are providing information about our [Disaster Response Network](#) as a reference for Fannie Mae borrowers.

### Forbearance plan eligibility

To assist borrowers who have experienced a hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member) which has impacted their ability to make their monthly mortgage loan payment, the servicer should evaluate the borrower for a forbearance plan in accordance with *Servicing Guide* [D2-3.2-01, Forbearance Plan](#). The servicer must achieve quality right party contact (QRPC) with the borrower prior to offering a forbearance plan. With this Lender Letter, when determining eligibility for a forbearance plan for a borrower impacted by COVID-19, the property securing the mortgage loan may be a principal residence, a second home, or an investment property. The servicer must otherwise follow the requirements in [D2-3.2-01, Forbearance Plan](#).

**NOTE:** *The servicer is not required to obtain documentation of the borrower's hardship.*

### Evaluating the borrower for a mortgage loan modification after a forbearance plan

For borrowers who have received a forbearance plan in response to COVID-19, the servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of the forbearance plan term, must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired, and analyze each case carefully in accordance with the requirements in the table below before determining which mortgage loan modification is most appropriate for the borrower.



With [LL-2017-09R](#) Fannie Mae introduced the Fannie Mae Extend Modification for Disaster Relief (Extend Mod), a temporary post-disaster forbearance mortgage loan modification, as well as the order of evaluation for Extend Mod and other post-forbearance mortgage loan modifications when the property securing the mortgage loan or the borrower’s place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance. With this Lender Letter, we are extending the availability of these post-forbearance mortgage loan modifications to borrowers impacted by COVID-19. The following table provides guidance and the order of evaluation for the mortgage loan modification.

If the servicer is...	And...	Then the servicer must evaluate the borrower for...
able to establish QRPC with the borrower during the forbearance plan	determines that the borrower is capable of maintaining the current contractual monthly PITI payment, including any escrow amounts disbursed by the servicer during the forbearance plan term and escrow shortage needed to pay future escrow that is required to be repaid by the borrower over the 60-month escrow repayment period	an Extend Mod; and if eligible, offer the borrower the Extend Mod. The servicer must disclose how the escrow analysis was determined, and that disbursed escrow amounts will not be capitalized but will be added to the escrow shortage needed to pay future escrow amounts resulting in an increase of the borrower’s current contractual monthly PITI payment over the 60-month escrow repayment period.
	determines that the borrower can maintain the current contractual monthly PITI payment, but cannot manage the additional escrow repayment obligation to cover amounts disbursed by the servicer during the forbearance plan term	a Fannie Mae Cap and Extend Modification for Disaster Relief; and if eligible, offer the borrower a Fannie Mae Cap and Extend Modification for Disaster Relief (see <a href="#">D2-3.2-05, Fannie Mae Cap and Extend Modification for Disaster Relief</a> ).
	determines that the borrower is not capable of maintaining the current contractual monthly PITI payment	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, offer a Fannie Mae Flex Modification.
not able to establish QRPC during the forbearance plan	the mortgage loan is 90 or more days delinquent	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, solicit the borrower for a Fannie Mae Flex Modification.

For these mortgage loan modifications, the following changes to the eligibility criteria apply:

Current Requirement	Requirement for Borrowers Impacted by COVID-19
The property securing the mortgage loan or the borrower’s place of employment must be located in a FEMA-Declared Disaster Area eligible for Individual Assistance.	The borrower must have experienced a hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member) which has impacted their ability to make their monthly mortgage loan payment.



Current Requirement	Requirement for Borrowers Impacted by COVID-19
	<p><b>NOTE:</b> <i>The servicer is not required to obtain documentation of the borrower’s hardship.</i></p>
<p>The mortgage loan must</p> <ul style="list-style-type: none"> <li>▪ have been current or less than 31 days delinquent when the disaster occurred, and</li> <li>▪ be 31 or more days delinquent but less than 360 days delinquent upon completion of the disaster-related forbearance plan.</li> </ul>	<p>The mortgage loan must</p> <ul style="list-style-type: none"> <li>▪ have been current or less than 31 days delinquent as of March 13, 2020, the date of the National Emergency declaration related to COVID-19; and</li> <li>▪ be 31 or more days delinquent but less than 360 days delinquent upon completion of the forbearance plan.</li> </ul>

**NOTE:** *The servicer must make appropriate changes to the Flex Modification Solicitation Cover Letter and Evaluation Notices, including the applicable Frequently Asked Questions, when using for a borrower impacted by COVID-19.*

## Credit bureau reporting

The servicer must suspend reporting the status of a mortgage loan to credit bureaus during an active forbearance plan, or a repayment plan or Trial Period Plan where the borrower is making the required payments as agreed, even though payments are past due, as long as the delinquency is related to a hardship resulting from COVID-19.

## Suspension of foreclosure sales

Servicers must suspend all foreclosure sales for the next 60 days. This foreclosure suspension does not apply to mortgage loans on properties that have been determined to be vacant or abandoned.

## Use of Fannie Mae’s Disaster Response Network

Our Disaster Response Network (DRN) is operational and can be used to assist borrowers who are financially impacted by COVID-19. The DRN has trained financial counselors who will work with borrowers to create a workable budget based upon the borrower’s present financial situation and assist in explaining options including obtaining unemployment benefits and any new special assistance. We encourage servicers to refer Fannie Mae borrowers to our Disaster Response Network at 1-877-542-9723.

We will continue to monitor the situation and alert you of any additional policy updates. Servicers who have questions about this Announcement should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae’s Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643).